

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 OMB-01 XMB-04
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R 051452Z JAN 76
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 6911
INFO AMEMBASSY COPENHAGEN
AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM

UNCLAS REYKJAVIK 0015

E.O. 11652: N/A
TAGS: EFIN, NO, SWN, FI, IC, DA
SUBJECT: NORDIC INVESTMENT BANK - ICELANDIC FERROSILICON
PLANT LOAN

REF: HELSINKI 2672; COPENHAGEN 4827; REYKJAVIK 1686

1. ON JANUARY 3 OFFICIALS OF THE NORDIC INVESTMENT BANK AND ICELANDIC ALLOYS SIGNED A PRELIMINARY AGREEMENT FOR THE FINANCING OF A FERROSILICON PLANT IN ICELAND TO BE JOINTLY OWNED BY ELKEM-SPIGERVERKET OF NORWAY AND THE GOVERNMENT OF ICELAND. THE PLANT IS TO BEGIN PRODUCTION IN 1979 WITH FULL PRODUCTION OF 50,000 MT AND EMPLOYMENT OF 150 WORKERS.

2. THE LOAN EQUIVALENT TO 200 MILLION NORWEGIAN KRONUR (ABOUT \$40 MILLION) WILL BE PAID OUT IN THREE ALLOTMENTS: JUNE 1977, DECEMBER 1978, AND JUNE 1980. REPAYMENTS ARE IN EQUAL SEMIANNUAL INSTALLMENTS BETWEEN 1981 AND 1985. INTEREST RATES WILL DEPEND ON NORDIC BANK BORROWING RATE PLUS BANK HANDLING CHARGE. ICELANDIC
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ALLOYS, THE MANAGING FIRM SET UP BY THE ICELANDIC GOVERNMENT WHEN UNION CARBIDE WAS A PROSPECTIVE PARTNER, EXPECTS THE RATE TO BE MORE FAVORABLE THAN IT COULD GET ON ITS OWN FROM THE INTERNATIONAL MARKET. THE LOAN REPRESENTS ABOUT 50 PERCENT OF THE INITIAL 80 MILLION DOLLAR COST

OF THE PLANT. GOI WILL HOLD \$13.2 MILLION OF \$24
MILLION SHARE CAPITAL, CAN LEND \$5 MILLION MOREAN AND
IS TO ARRANGE TOGETHER WITH ELKEM FOR THE REMAINDER
OF THE COST.

3. OFFICIAL OF ICELANDIC ALLOYS TOLD EMBASSY THAT
AGREEMENT WITH THE BANK IS PRELIMINARY AND THAT BANK
HAS NOT YET RAISED THE NECESSARY FUNDS. THE PRELIMINARY
AGREEMENT WAS SIGNED BY HERMOD SKAALAND AND BERT
LINDSTROM FOR THE NORDIC BANK AND BY GUNNAR SIGURDSSON
FOR ICELANDIC ALLOYS.

4. STATE 308406 NOT RECEIVED. IF RELEVANT THIS SUBJECT PLEASE REPEAT
THIS POST. WE HAVE NOTED COMMENTS OF EMBASSIES COPENHAGEN AND
HELSINKI CONCERNING OBSERVATIONS ON THE PURPOSES AND FUNCTIONS
OF THE NORDIC BANK. FROM THE VERY OUTSET ICELANDERS VIEWED
THE NIB AS A MEDIUM TO TRANSFER RESOURCES FROM RICHER
COUNTRIES (I.E. NORWAY, SWEDEN AND DENMARK) TO POORER
COUNTRIES (I.E. ICELAND). THE ABOVE PROJECT TENDS SUPPORT
THEIR BELIEF.
BLAKE

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

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